GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1397
ANSWERED ON:11.03.2005
INVESTMENT OF NON GOVERNMENT PROVIDENT FUNDS QUESTION
Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has allowed non-Government provident funds to invest certain percentage of their assets in blue chip shares and corporate debts and equity oriented mutual funds;

(b) if so, the details thereof;

(c) the other relaxation given by the Government to provident fund trustees; and

(d) the steps taken by the Government that the public money would not be misused by the PF trustees?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (c): Yes, Sir. The pattern of investment has been revised with a view to providing wider avenues for investment by Non-government Provident Funds, Superannuation Funds and Gratuity Funds. As per the revised pattern, which is effective from 1.4.2005, an amount upto 5% of the total portfolio has been allowed to be invested in shares of those companies that have an investment grade debt rating from two credit rating agencies and upto 10% in private sector debt instruments bearing investment grade rating and equity-linked schemes of mutual funds regulated by the Securities and Exchange Board of India.

(d): The investment pattern has been devised in such a manner that the maximum emphasis is on providing secured returns to the provident funds, superannuation funds and gratuity funds. However, the funds have been empowered to invest in risk instruments also subject to the assessment of risk-return trade off by the trustees. These funds and their trustees are further subject to safety provisions of the respective Acts under which they are established.